

**D13A13**  
**Maryland Energy Administration**

***Executive Summary***

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The Maryland Energy Administration (MEA) is an independent unit of State Government that conducts planning activities for a variety of energy sources, administers programs aimed at increasing energy efficiency and increasing the use of renewable and clean energy, and advises the Governor's Office on energy policy.

***Operating Budget Data***

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(\$ in Thousands)

	<u>FY 18</u> <u>Actual</u>	<u>FY 19</u> <u>Working</u>	<u>FY 20</u> <u>Allowance</u>	<u>FY 19-20</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$37,578	\$43,103	\$37,072	-\$6,031	-14.0%
Adjustments	0	18	73	55	
<b>Adjusted Special Fund</b>	<b>\$37,578</b>	<b>\$43,121</b>	<b>\$37,145</b>	<b>-\$5,976</b>	<b>-13.9%</b>
Federal Fund	732	763	4,306	3,543	464.2%
Adjustments	0	1	26	25	
<b>Adjusted Federal Fund</b>	<b>\$732</b>	<b>\$764</b>	<b>\$4,332</b>	<b>\$3,568</b>	<b>466.9%</b>
Reimbursable Fund	132	147	147	0	0.1%
Adjustments	0	0	0	0	
<b>Adjusted Reimbursable Fund</b>	<b>\$132</b>	<b>\$147</b>	<b>\$147</b>	<b>\$0</b>	<b>0.1%</b>
<b>Adjusted Grand Total</b>	<b>\$38,442</b>	<b>\$44,032</b>	<b>\$41,625</b>	<b>-\$2,407</b>	<b>-5.5%</b>

Note: The fiscal 2019 appropriation includes deficiencies, a one-time \$500 bonus, and general salary increases. The fiscal 2020 allowance includes general salary increases.

- The decrease in special funds in MEA's fiscal 2020 allowance stems from funds available to the agency as a result of various Public Service Commission orders related to merger approvals. Following fiscal 2020, several of these sources are largely eliminated with three of the five sources having less than \$1 million available.

Note: Numbers may not sum to total due to rounding.

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- Special funds derived from Regional Greenhouse Gas Initiative (RGGI) auctions and fund balances across the agency increase by \$797,190. However, two programs (the Energy Efficiency and Conservation Programs, Low- and Moderate-Income Sector and the General Administration) decrease in RGGI-sourced funds compared to fiscal 2019. The decrease in the low- and moderate-income energy efficiency programs is driven by fund balance limitations.
- The fiscal 2020 allowance of MEA includes the use of \$4 million from the Maryland Gas Expansion Fund, created as a result of the merger between AltaGas Ltd. and WGL Holdings, Inc. The funds will be used for grants that reduce cost to potential customers and utilities of expanding natural gas service and a natural gas workforce development program.

### ***Personnel Data***

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	<b><u>FY 18</u></b> <b><u>Actual</u></b>	<b><u>FY 19</u></b> <b><u>Working</u></b>	<b><u>FY 20</u></b> <b><u>Allowance</u></b>	<b><u>FY 19-20</u></b> <b><u>Change</u></b>
Regular Positions	28.00	28.00	28.00	0.00
Contractual FTEs	<u>9.50</u>	<u>9.50</u>	<u>10.00</u>	<u>0.50</u>
<b>Total Personnel</b>	<b>37.50</b>	<b>37.50</b>	<b>38.00</b>	<b>0.50</b>

#### ***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	1.38	4.93%
Positions and Percentage Vacant as of 12/31/18	1.00	3.57%

- MEA has a net increase of a 0.5 contractual full-time equivalent (FTE) in the fiscal 2020 allowance. This increase results from an existing FTE being reduced to half-time and the addition of 1 new FTE. The new FTE is expected to provide administrative assistance.

### ***Key Observations***

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- ***RGGI Auction Revenue Rebounds in Calendar 2018:*** Revenue from RGGI carbon dioxide emission allowance auctions declined in calendar 2016 and the first half of calendar 2017, reaching a low in June 2017. Later that year, RGGI, Inc. announced program changes that take effect in calendar 2021. In addition, two states are potentially joining the program. These factors appear to have stabilized the program, and revenue has generally increased in recent auctions. Despite the recent stabilization, fund balance in some areas was significantly reduced during the period of revenue declines. As a result, combined RGGI-sourced spending decreases by \$5.1 million in the fiscal 2020 allowance, primarily in the energy assistance program.

- ***Two Revolving Loan Programs No Longer Considered Capital and Agency Proposes Legislation to Combine the Programs:*** During the 2018 interim, the Department of Budget and Management determined that two revolving loan programs operated by MEA, the Jane E. Lawton Conservation Loan Program (JELLP) and the State Agency Loan Program (SALP), would no longer be considered as part of the State’s capital program. These programs provide low-interest (JELLP) or no-interest (SALP) loans for energy efficiency projects. As a result, these programs are included in this analysis of MEA rather than a separate pay-as-you-go capital analysis, as occurred previously. In addition, MEA has proposed legislation (HB 170) to effectively combine these two programs.

## **Operating Budget Recommended Actions**

1. Adopt committee narrative requesting reporting of Regional Greenhouse Gas Initiative revenue, spending, and fund balance.

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***Operating Budget Analysis***

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**Program Description**

The Maryland Energy Administration (MEA) is an independent unit of State government with a mission of promoting affordable, reliable, and cleaner energy for the wellbeing of all Marylanders. In support of this mission, MEA conducts planning activities for a variety of energy sources, administers the Strategic Energy Investment Fund (SEIF), administers programs aimed at increasing energy efficiency and increasing the use of renewable and clean energy, and advises the Governor's Office on energy policy. MEA programs affect local and State government, nonprofit organizations, residential consumers, businesses, and industrial customers. The key goals of MEA are to:

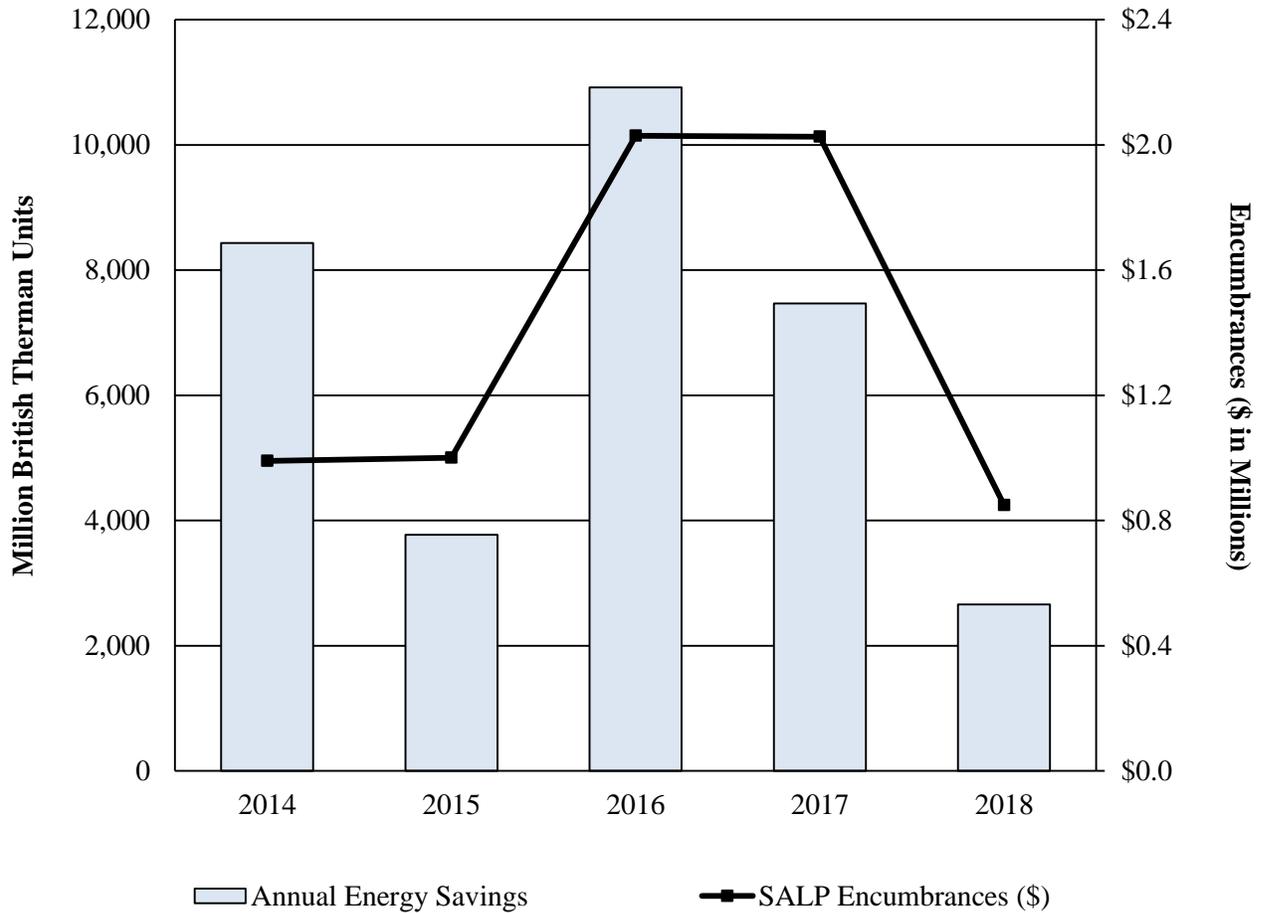
- increase Maryland's energy efficiency and energy conservation;
- reduce State agency energy consumption;
- improve the energy efficiency of local governments, nonprofits, and businesses;
- increase electricity generation fuel diversity through the increased use of in-state renewable energy; and
- diversify Maryland's transportation network by encouraging the utilization of electric vehicles.

**Performance Analysis: Managing for Results**

**1. Energy Savings from Revolving Loan Funds Typically Follow Trend of Spending**

Through the Jane E. Lawton Conservation Loan Program (JELLP) and the State Agency Loan Program (SALP), MEA provides loans for energy efficiency projects. The JELLP provides these loans at low interest (2% in fiscal 2019) to nonprofits, businesses, and local governments. The SALP provides these loans at no interest (with a 1% administrative fee) to State agencies. As shown in **Exhibits 1 and 2**, energy savings in these programs generally follow the trend of encumbrances, which reflects intended program spending. There are outliers in some years, which typically occur when energy savings from a particular project or several projects in a year are unusually high. For example, in fiscal 2016, MEA reports that SALP loans funded several lighting projects, which tend to have higher savings per dollar than other types of energy efficiency projects.

**Exhibit 1  
SALP Energy Savings versus Encumbrances  
Fiscal 2014-2018**

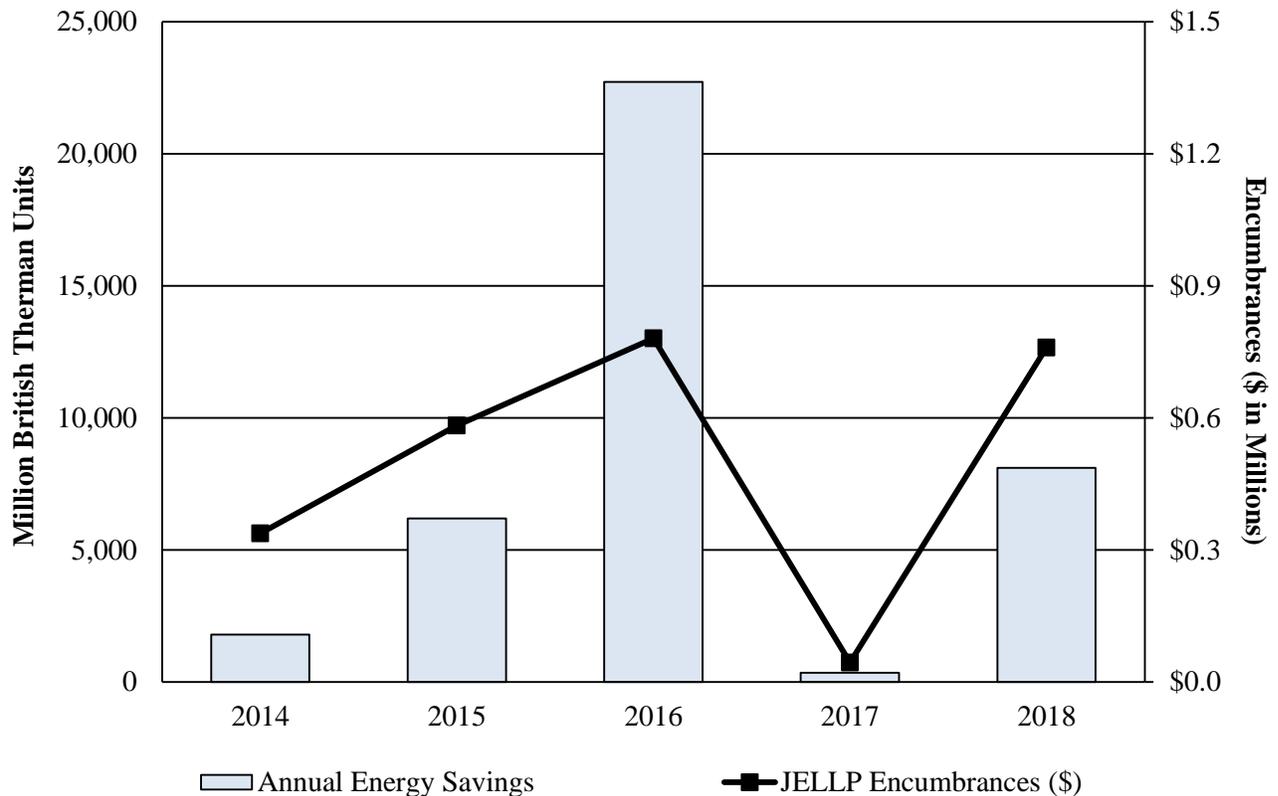


SALP: State Agency Loan Program

Note: To the extent possible, encumbrances have been reduced from those originally reported based on canceled encumbrances.

Source: Maryland Energy Administration; Department of Budget and Management; Governor’s Fiscal 2020 Budget Books

**Exhibit 2**  
**JELLP Energy Savings versus Encumbrances**  
**Fiscal 2014-2018**



JELLP: Jane E. Lawton Conservation Loan Program

Note: To the extent possible, encumbrances have been reduced based on canceled encumbrances.

Source: Maryland Energy Administration; Department of Budget and Management; Governor’s Fiscal 2020 Budget Books

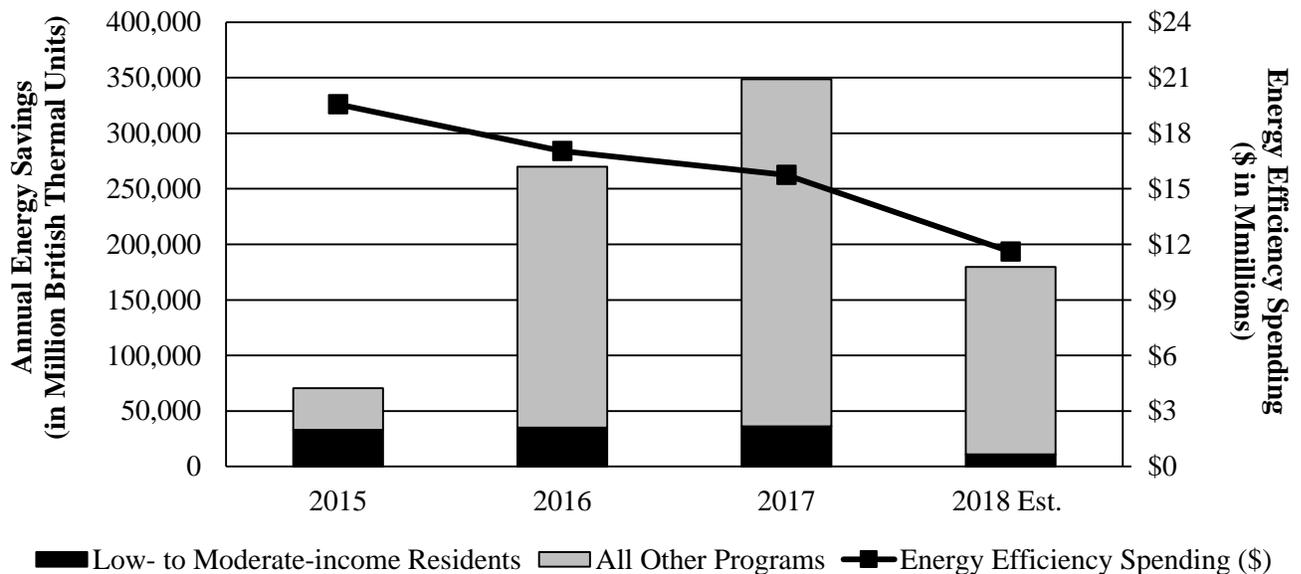
In fiscal 2018, energy savings from the SALP declined by 64.4% consistent with the decline in encumbrances. The SALP supported three loans in that year, two of which were loans for less than \$100,000. In fiscal 2018, the JELLP encumbrances and energy savings increased substantially. In that year, the JELLP encumbered funds for two projects of over \$250,000 compared to one project of less than \$100,000 in fiscal 2017.

## 2. Energy Savings from MEA Grant Programs Expected to Decrease

MEA began including new performance measures related to program offerings of the agency with the fiscal 2018 Managing for Results (MFR) submission. Because these are relatively new measures, limited actual data is available. In addition, due to the timing of the completion of projects funded in a given year, actual energy savings are not generally known for the most recent year. As a result, MEA estimates energy savings for the most recent completed fiscal year.

As shown in **Exhibit 3**, for fiscal 2018, MEA anticipates a decrease in energy savings from projects funded in that year. Energy savings from grant programs benefitting low- to moderate-income residents are expected to decrease by 70%, primarily due to a significant decrease in program spending (52%). The decrease in expenditures resulted from a decline in auction revenue from the Regional Greenhouse Gas Initiative (RGGI), the sole source of funding for that program. MEA also notes that it made a change to the calculation of energy savings estimates for projects beginning with fiscal 2018.

**Exhibit 3**  
**Annual Energy Savings versus Spending for Energy Efficiency Grant Programs**  
**Fiscal 2015-2018 Est.**



Note: Data from prior years has been revised from the data presented in the 2018 session to reflect energy savings upon completion versus estimates developed prior to completion. Includes spending from Energy Efficiency and Conservation, Low- and Moderate-Income Sector; and Energy Efficiency and Conservation, All Other Sectors.

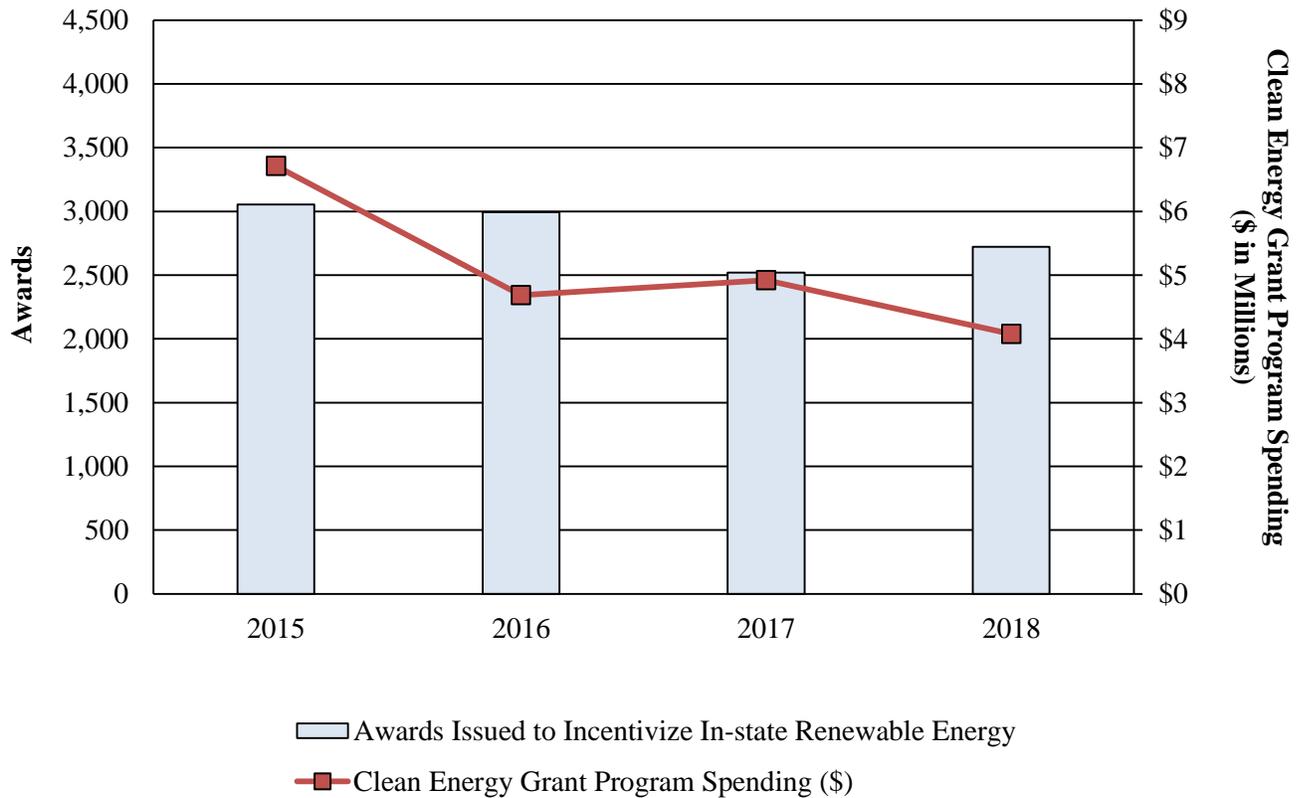
Source: Maryland Energy Administration; Department of Budget and Management; Governor’s Fiscal 2017-2020 Budget Books

Energy savings from all other energy efficiency programs is expected to decrease by 46% in fiscal 2018. This decrease occurs despite an overall 21% increase in spending on these programs. MEA indicates that two programs (the Data Processing Center Energy Efficiency program and the Combined Heat and Power (CHP) program) had particular projects with high energy savings in fiscal 2017 compared to funded projects in fiscal 2018. CHP systems use the waste heat from electricity generation for other purposes such as space heating.

### **3. In-state Renewable Energy Increases**

MEA also added to its MFR submission measures related to in-state renewable energy incentivized through grants and programs of the agency. As shown in **Exhibit 4**, despite a decline in clean energy grant spending, MEA reports that the number of awards issued to incentivize in-state renewable energy increased in fiscal 2018. MEA explained that, during fiscal 2018, agency staff reached out to past program applicants with missing documentation to collect information necessary to allow the application to move forward. The type of renewable energy being incentivized also plays a role because some sources have a higher grant award than others. The majority of the increase occurred among solar photovoltaic, which increased by 61.7%, a source with a relatively low-incentive level compared to geothermal, which decreased by 66.3%.

**Exhibit 4  
In-state Renewable Energy Awards versus Clean Energy Grant Program  
Spending  
Fiscal 2015-2018**



Note: Spending reflects only the spending from the Clean Energy Grant Program that includes Residential Renewable Energy Grants, Commercial Renewable Energy Grants, Community Wind Development Grants, and Solar Photovoltaic in Parking Lots Program.

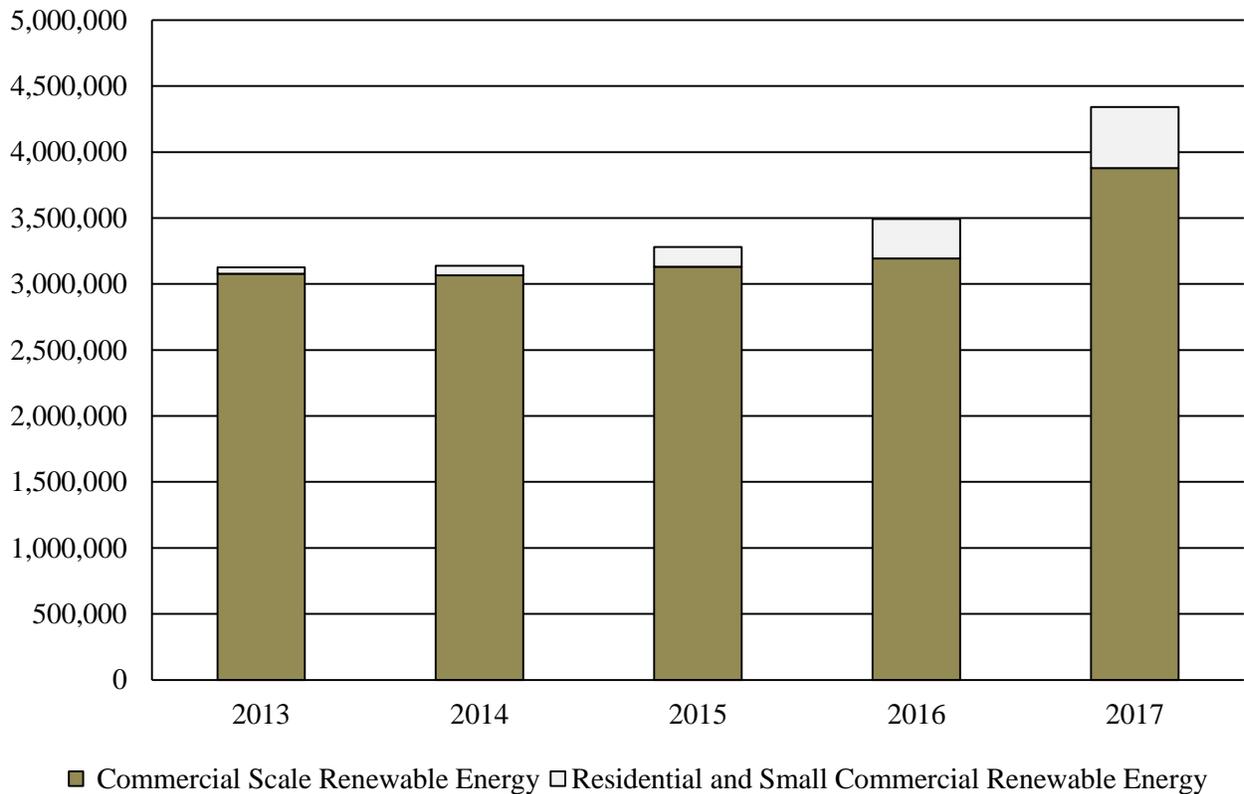
Source: Maryland Energy Administration; Department of Budget and Management; Governor’s Fiscal 2020 Budget Books

As shown in **Exhibit 5**, statewide, MEA reports a substantial increase in megawatt hours of renewable energy generated in-state in calendar 2017 (the most recent year of actual data available). In total, 4.3 million megawatt hours of renewable energy were generated in-state in calendar 2017, an increase of 24.3% compared to calendar 2016. Commercial scale renewable energy increased by 21.4%. MEA indicates that this increase is due primarily to new solar facilities that opened in calendar 2016 and electricity generated from hydropower. Hydropower generation varies from year to year primarily due to rainfall. Residential and small commercial scale renewable energy generated in-state increased by 55.9% in calendar 2017. While still substantial, this was the lowest rate of growth since

calendar 2014. MEA reports that the value of Solar Renewable Energy Credits, as part of the solar carve-out in the Renewable Portfolio Standard (RPS), decreased between calendar 2016 and 2017.

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**Exhibit 5**  
**Renewable Energy Generated In-state**  
**Calendar 2013-2017**  
**(in Megawatt Hours)**



Note: This reflects statewide renewable energy generated in-state, not just energy incentivized by the Maryland Energy Administration (MEA). This measure does not reflect direct funding or actions of MEA.

Source: Maryland Energy Administration; Department of Budget and Management; Governor’s Fiscal 2019 and 2020 Budget Books

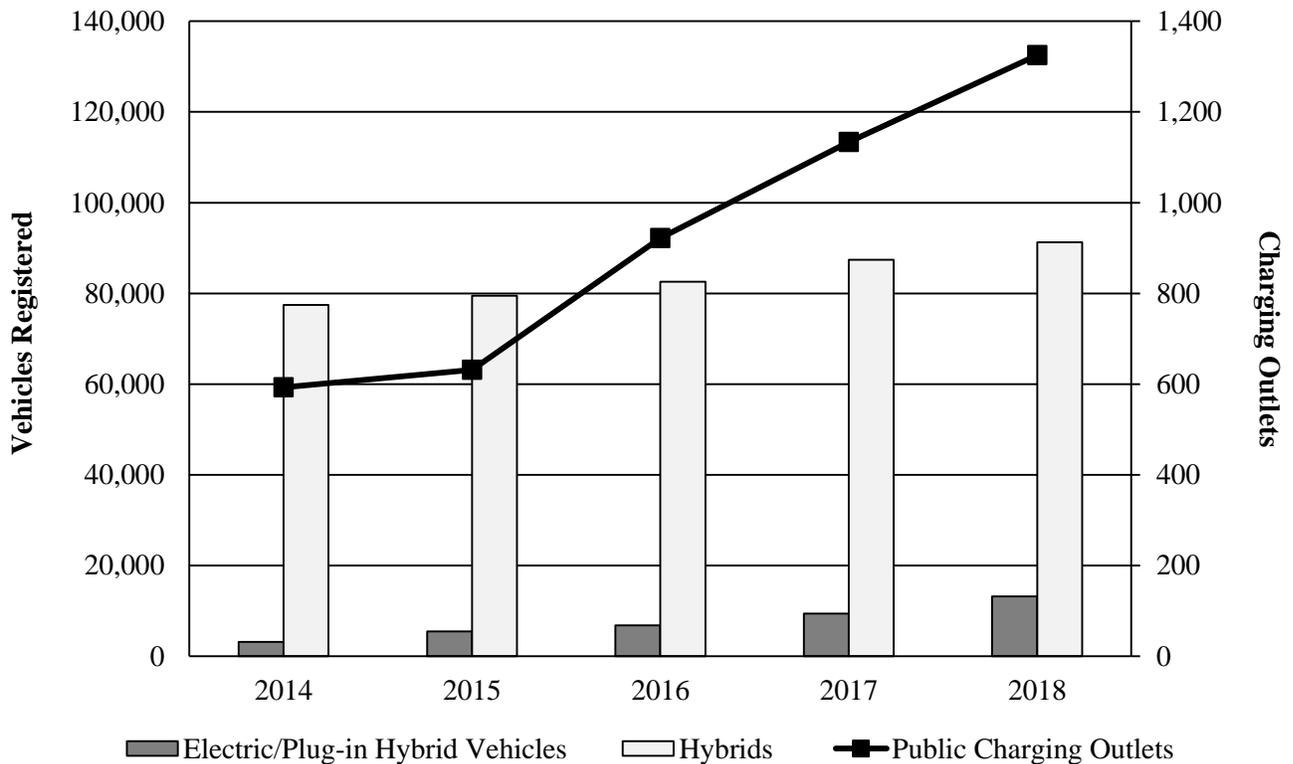
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Over time, residential and small commercial scale renewable energy has made up a larger portion of renewable energy generated in-state. In calendar 2013, residential and small commercial scale renewable energy comprised 1.5% of the renewable energy generated in-state; while in calendar 2017, it comprises more than 10%.

### 3. Electric Vehicles

MEA has a goal of achieving 60,000 electric vehicle registrations by fiscal 2020 through incentives, marketing, and education. As shown in **Exhibit 6**, while progress has been made toward the goal since fiscal 2014, given the current trajectory, Maryland is unlikely to reach 60,000 all electric/plug-in electric hybrid vehicles registered by fiscal 2020. However, in combination with hybrid vehicle registrations (excluding plug-in hybrids), the goal has already been achieved. Hybrid vehicle registrations (excluding plug-in hybrids) have exceeded 60,000 in each year. In fiscal 2018, 13,207 all electric/plug-in electric hybrid vehicles were registered, an increase of 41% compared to fiscal 2017. In fiscal 2018, 91,267 hybrid vehicles (excluding plug-in hybrids) were registered in Maryland, an increase of 4.4% compared to fiscal 2017. MEA indicates that the increase in electric vehicle registrations is due to lower battery prices that make electric vehicles more affordable and reduced range anxiety with the increased availability of charging stations.

**Exhibit 6**  
**Electric Vehicles**  
**Fiscal 2014-2018**



Source: Maryland Energy Administration; Department of Budget and Management; Governor’s Fiscal 2020 Budget Books

The number of public charging outlets (whether State-supported or privately owned) more than doubled between fiscal 2015 and 2018. In fiscal 2018, there were approximately 10 all electric/plug-in electric vehicles registered in Maryland for every public charging outlet. In total, the U.S. Department of Energy (DOE) reports that there are 61,061 public charging outlets in the United States. According to DOE, Maryland has the tenth highest number of public charging outlets among states and has a higher number of charging outlets than the surrounding states.

### **State Activities to Support Electric Vehicle Deployment**

The SEIF supports the deployment of electric vehicles through required transfers to the Transportation Trust Fund (TTF) to replace revenue lost due to the Electric Vehicle Excise Tax Credit. The SEIF has been transferred to the TTF for this purpose in each year since fiscal 2011. Under current statute, fiscal 2020 is the final year of required transfers to the TTF. In fiscal 2020, this transfer is scheduled to be \$2.4 million. Among other changes, the Clean Cars Act of 2019 (HB 151 and SB 168), an Administration bill, proposes to increase the transfer of funds from the SEIF to the TTF in fiscal 2020 (a total of \$6 million). In addition, the SEIF has been used to support electric vehicle recharging equipment since fiscal 2013. Initially, this support was through required transfers to the General Fund to replace revenue lost from an income tax credit for this purpose. Since fiscal 2017, the program has been provided through MEA as a rebate program. From fiscal 2017 through 2020, MEA has funded the program at \$1.2 million, as required in statute, though the actual level varies based on demand. Fiscal 2020 is the final year that this program is required in statute. The rebate program is available to both residential and commercial customers.

In January 2019, the Public Service Commission (PSC) approved the four investor-owned electric utilities moving forward with a five-year pilot program to provide incentives for the installation of electric vehicle charging stations (including residential and nonresidential customers). PSC also authorized each of the utilities to install, own, and operate a certain number of electric vehicle chargers (a combined total of 909), which must be located at property leased, owned, or occupied by a unit of State, county, or municipal government for public use. These charging stations will be paid for by electric ratepayers. In addition, the final plan for use of the Volkswagen Settlement includes \$11.3 million of funding for electric vehicle charging infrastructure. Funds from the Volkswagen settlement are not expected to be received or spent directly by the State. However, MEA is expected to work with the Maryland Department of the Environment (MDE) on this program.

**MEA should comment on efforts by the agency to increase all electric vehicle registrations in the State and available public charging infrastructure, including work with PSC, utilities, and MDE. MEA should also comment on whether it expects to continue to support electric vehicle deployment and recharging equipment after the scheduled end of the electric vehicle programs in fiscal 2020.**

## **Fiscal 2019 Actions**

### **Proposed Deficiency**

The fiscal 2020 budget includes two statewide deficiency appropriations related to employee compensation. MEA's share of these actions is:

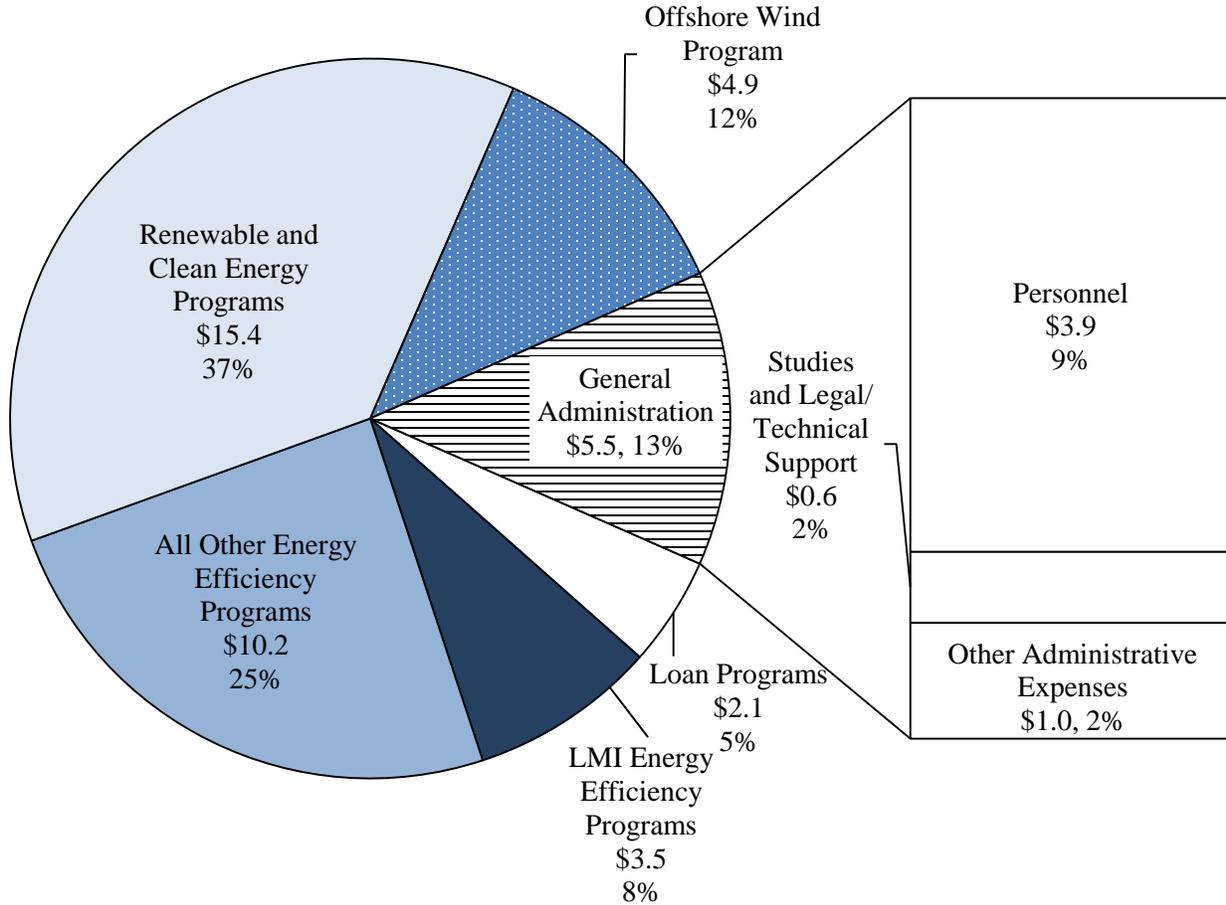
- \$15,036 for a one-time bonus of \$500; and
- \$3,683 for an additional 0.5% general salary increase effective April 1, 2019.

## **Fiscal 2020 Allowance**

### **Overview of Agency Spending**

The fiscal 2020 allowance of MEA totals \$41.6 million after accounting for statewide employee compensation adjustments. As shown in **Exhibit 7**, renewable and clean energy programs are the largest category of spending, 37% or \$15.4 million. This category of spending includes grants to support residential and commercial renewable energy and alternative fuel vehicle infrastructure. The expenditures in fiscal 2020 in this program include both RGGI-sourced funding, the primary ongoing funding source for MEA grants and program, and funds available as a condition of a PSC order approving the merger of Exelon Corporation (Exelon) and Constellation Energy Group (Constellation). The administrative expenses of MEA total \$5.5 million, or 13%, of the fiscal 2020 agency spending. The majority of these expenditures (\$3.9 million) are for personnel, including 28 regular positions and 10 contractual full-time equivalents.

**Exhibit 7**  
**Spending by Category**  
**Fiscal 2020 Allowance**  
**(\$ in Millions)**



LMI: low- and moderate-income

Note: Numbers may not sum due to rounding.

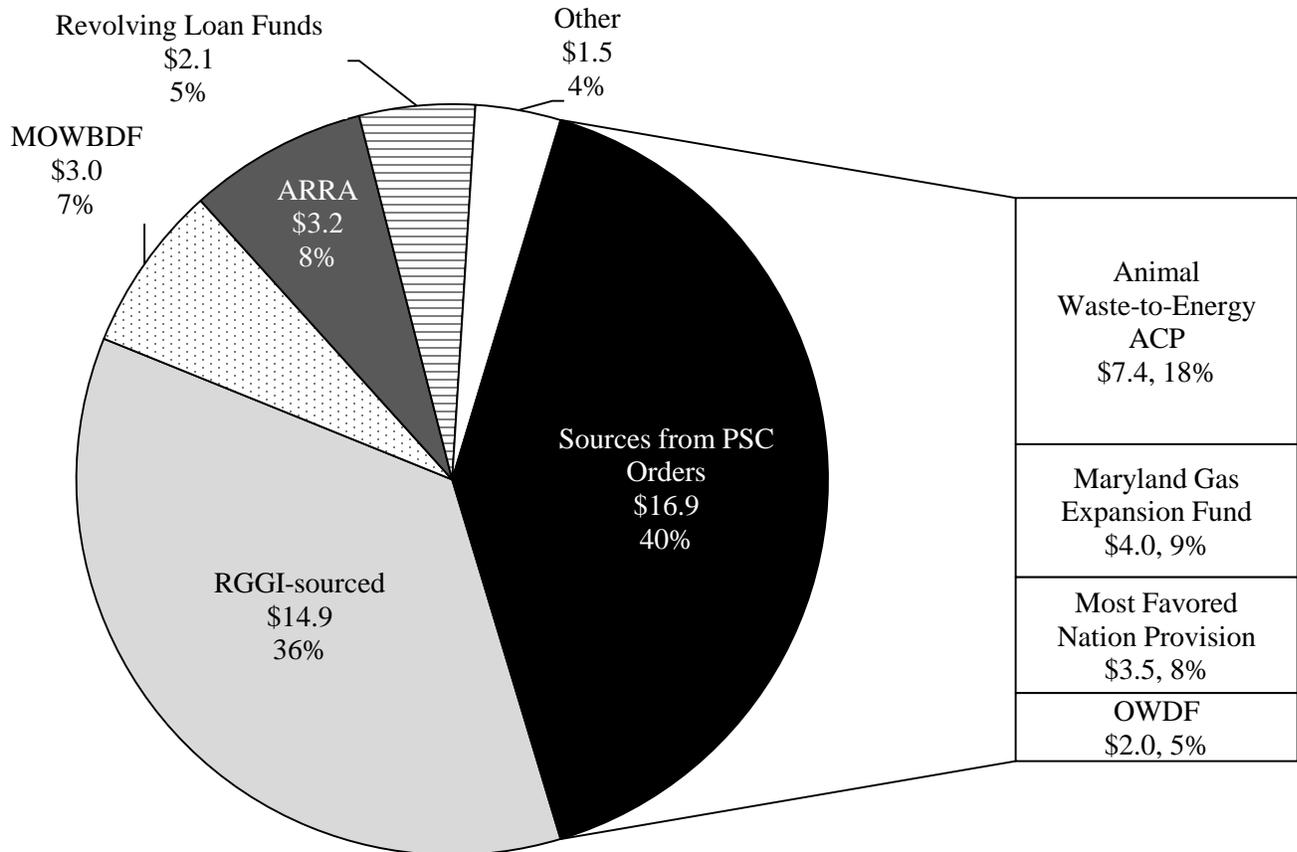
Source: Maryland Energy Administration; Governor’s Fiscal 2020 Budget Books; Department of Legislative Services

**Agency Spending by Source**

While RGGI-sourced SEIF is the primary ongoing source of MEA programmatic and administrative expenses, in recent years, it has not always been the primary source of funding. For example, PSC orders in utility mergers or other large proceedings have included conditions for approval

that require contributions to MEA, PSC, local entities, and others. As shown in **Exhibit 8**, approximately 40% of MEA’s fiscal 2020 allowance is derived from these sources.

**Exhibit 8**  
**Spending by Source**  
**Fiscal 2020 Allowance**  
**(\$ in Millions)**



ACP: Alternative Compliance Payment  
 ARRA: American Recovery and Reinvestment Act  
 MOWBDF: Maryland Offshore Wind Business Development Fund

OWDF: Offshore Wind Development Fund  
 PSC: Public Service Commission  
 RGGI: Regional Greenhouse Gas Initiative

Note: Numbers may not sum due to rounding. Assumes the fiscal 2020 general salary increase spending is supported with RGGI and federal funds. Figures may not match the Governor’s Fiscal 2020 Budget Books due to adjustments in the distribution of special funds in the General Administration program.

Source: Maryland Energy Administration; Governor’s Fiscal 2020 Budget Books; Department of Legislative Services

These contributions are set amounts and must be used in the manner directed in the PSC order creating the source:

- ***Animal Waste-to-energy Alternative Compliance Payments (ACP):*** Liquidated damages totaling \$44 million from a State chosen option of a menu of possible requirements related to the development of new animal waste-to-energy generation, from the Exelon and Constellation merger. These funds are used in a similar manner as ACP related to RPS, as such, the funds must be used to support renewable energy. The fiscal 2020 allowance of MEA includes \$7.4 million for this purpose.
- ***Maryland Gas Expansion Fund:*** A contribution of \$30.3 million for use by MEA to promote the expansion of natural gas infrastructure to serve businesses, residents, industrial enterprises, and utility generation facilities from the AltaGas Ltd. and WGL Holdings, Inc. merger. PSC required that the majority of the funds be used within the Washington Gas service territory and at least \$4.6 million be used within Calvert, Charles, Frederick, and St. Mary’s counties. The fiscal 2020 allowance includes \$4 million for this purpose.
- ***Most Favored Nation Provision:*** An additional contribution from a provision requiring an increase in the value of benefits in Maryland if benefits in another jurisdiction were higher on a per customer basis than those included in Maryland’s final order from the Exelon and Pepco Holdings, Inc. merger. PSC allocated \$9 million of these funds to MEA, which increased to \$9.2 million based on the method of calculation by Exelon. These funds are required to be used for the CHP program and the Next Generation Energy Efficiency for the Industrial Sector. MEA’s fiscal 2020 allowance includes \$3.5 million for the CHP program from these funds.
- ***Offshore Wind Development Fund:*** A contribution of \$30 million for offshore wind development activities from the Exelon and Constellation merger. A portion of these funds were used as seed funds for the Maryland Offshore Wind Business Development Fund, as required in statute. The fiscal 2020 allowance includes approximately \$2.0 million for this purpose, including administrative expenditures. The largest component (\$1 million) is to support the State’s four-year commitment of funds for research and membership dues in the U.S. Offshore Wind Consortium.

## **Proposed Budget Change**

As shown in **Exhibit 9**, the fiscal 2020 allowance of MEA decreases by \$2.4 million, or 5.5%, compared to the fiscal 2019 working appropriation after accounting for statewide employee compensation adjustments. A portion of the federal fund increase (\$226,146) is due to a new competitive federal grant from DOE for streetlighting conversion projects. MEA will work with Virginia on this grant. The grant funds begin in fiscal 2019 but are not yet reflected in the fiscal 2019 working appropriation. The majority of the federal fund increase is from American Recovery and Reinvestment Act of 2009 (ARRA) funds that will be used for State agency energy efficiency projects. The special fund decrease is driven by the non-RGGI sources, several of which are nearly eliminated after fiscal 2020.

**Exhibit 9**  
**Proposed Budget**  
**Maryland Energy Administration**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b>Special Fund</b>	<b>Federal Fund</b>	<b>Reimb. Fund</b>	<b>Total</b>
Fiscal 2018 Actual	\$37,578	\$732	\$132	\$38,442
Fiscal 2019 Working Appropriation	43,121	764	147	44,032
Fiscal 2020 Allowance	<u>37,145</u>	<u>4,332</u>	<u>147</u>	<u>41,625</u>
Fiscal 2019-2020 Amount Change	-\$5,976	\$3,568	\$0	-\$2,407
Fiscal 2019-2020 Percent Change	-13.9%	466.9%	0.1%	-5.5%

**Where It Goes:**

**Personnel Expenses**

Fiscal 2020 general salary increase and annualization of the additional 0.5% fiscal 2019 general salary increase .....	\$95
Regular earnings primarily due to the annualization of the fiscal 2019 general salary increase .....	38
Retirement contributions .....	31
Employee and retiree health insurance .....	28
One-time bonus in fiscal 2019 .....	-15
Other fringe benefit adjustments .....	1

**New and Paused Programs**

First year of funding from the Maryland Gas Expansion Fund available as a result of a condition of approval of the AltaGas Ltd. and WGL Holdings, Inc. merger.....	4,000
Community College Energy Efficiency Pilot to provide technical assistance and advice related to energy audits, project financing, and general construction support.....	200
Next Generation Energy Efficiency for Industrial Sector based on the availability of Most Favored Nation provision funds.....	-1,000
Solar Resiliency Hub to receive stakeholder feedback and lessons learned prior to the next round of funding .....	-5,000
Animal Waste-to-Energy Grant program to avoid duplication of efforts with limited availability of funds .....	-6,000

**Availability of Additional Federal Funds**

Withdrawn American Recovery and Reinvestment Act funds from the State Agency Loan Program to support a State Agency Energy Efficiency Grant Program.....	3,200
Competitive federal grant in cooperation with Virginia for energy efficient street lighting replacement that begins in fiscal 2019 but is not yet reflected in the working appropriation .....	226

**Changes to Reflect Program Demand**

Combined Heat and Power program .....	2,288
Community Solar program.....	1,500

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**Where It Goes:**

Residential Renewable Energy Grant program.....	1,200
Maryland Smart Energy Communities program.....	400
Solar PV in Parking Lots program.....	-1,000
Community Wind Development Grant program.....	-1,000
<b>Changes Due to Availability of Funding and Agency Priorities</b>	
Commercial Renewal Energy Grant program.....	-150
Mathias Agriculture program/Farm Retrofit program.....	-200
Low- and Moderate-Income Clean Energy Communities Grant program.....	-1,500
<b>Offshore Wind</b>	
Offshore Wind Business Development Grants from the Maryland Offshore Wind Business Development Fund.....	1,000
Studies related to offshore wind impacts on marine mammals, black sea bass, and baleen whales by the Department of Natural Resources.....	380
Updating studies related to offshore wind supply chain and port infrastructure in Maryland	250
Multi-year commitment to U.S. Offshore Wind Consortium to support research and pay membership dues that begin in fiscal 2019.....	-25
Business Network for Offshore Wind grant.....	-80
Business marketing strategy development and out-of-state travel to support business marketing for offshore wind.....	-142
Spending reduction in fiscal 2019 not yet reflected in the working appropriation for planned competitive grants to higher education institutions related to offshore wind research and planned creation of an Offshore Wind Accelerator due to decision to participate in U.S. Offshore Wind Consortium.....	-1,175
<b>Administrative Expenses</b>	
Economics and other energy-related studies supported by the Environmental Trust Fund...	250
Department of Information Technology services allocation partially offset by the Department of Budget and Management paid telecommunications due to statewide changes in allocation and increases in allocated costs based on services provided.....	216
Association dues primarily due to the transfer in the budgeting of membership dues to the Southern States Energy Board from the Department of Natural Resources to the Maryland Energy Administration.....	53
Legal and regulatory support.....	-225
Evaluation, measurement, and verification contract based on actual experience.....	-260
Other changes.....	8
<b>Total</b>	<b>-\$2,407</b>

Note: Numbers may not sum to total due to rounding.

## **State Agency Building Energy Efficiency Program**

The fiscal 2020 allowance includes \$3.2 million of ARRA funds to support State agency building energy efficiency projects. These ARRA funds were initially dedicated to the SALP. The ARRA funds carry a number of requirements that have made them difficult to lend, including reporting requirements, wage requirements, and Buy American provisions. These requirements continue even as the original loans made with the funds are repaid and recycled into new loans. The reporting requirements end if the funds are instead used as grants once the grant project is completed, making the funds easier to use. Due to the difficulty of lending these funds, in fiscal 2017, MEA developed a plan to begin to withdraw the funds and replace the funds in the SALP with available SEIF. The funds that were to be withdrawn were expected to be used for grants for State agency building energy efficiency projects (\$5 million). However, due to declining RGGI revenue at that time, MEA decided against withdrawing these funds and replacing them with the SEIF, and the planned grant funds were canceled.

In fiscal 2020, MEA has reinitiated the plans to withdraw the ARRA funds from the SALP, though it no longer plans to replace these funds with the SEIF. The fiscal 2020 planned withdrawal (\$3.2 million) would be nearly all of the available federal fund balance in the SALP (less than \$67,000 would remain). The withdrawn funds are once again expected to be used for a grant program for State agency building energy efficiency. However, the balance will rebuild as repayments on prior federally funded loans are made. By fiscal 2023, MEA estimates that the federal fund balance would be \$2.4 million. **MEA should comment on if or when it plans to make another withdrawal of ARRA funds from the SALP.**

## **Animal Waste-to-Energy ACP**

As shown in **Exhibit 10**, the fiscal 2020 allowance from this source decreases by \$11.6 million across the State budget and \$9.6 million in MEA. This reduction is one of the key drivers of changes in the renewable energy programs. These funds have been in use in the State since fiscal 2017. MEA has used these funds to provide additional support for its existing clean energy grant programs as well as supporting additional solar initiatives and animal waste-to-energy grants. In some instances, this funding is combined with RGGI-sourced funds to provide the total program funding.

**Exhibit 10**  
**Animal Waste-to-Energy Compliance Program Funding**  
**Fiscal 2019-2020**

	<b>2019 Working Approp.</b>	<b>2020 Allowance</b>	<b>Difference</b>
Residential Renewable Energy Grant	\$1,000,000	\$2,400,000	\$1,400,000
Commercial Renewable Energy Grants	0	200,000	200,000
Community Wind	1,000,000	0	-1,000,000
Solar PV in Parking Lots	3,000,000	2,000,000	-1,000,000
Community Solar	1,000,000	2,500,000	1,500,000
Solar Resiliency Hubs	5,000,000	0	-5,000,000
Maryland Smart Energy Communities	0	300,000	300,000
Animal Waste to Energy	6,000,000	0	-6,000,000
<b>MEA Total</b>	<b>\$17,000,000</b>	<b>\$7,400,000</b>	<b>-\$9,600,000</b>
Maryland Department of Agriculture	\$2,000,000	\$0	-\$2,000,000
DLLR – Employment Advancement Right Now Program	1,000,000	1,000,000	0
<b>Total</b>	<b>\$20,000,000</b>	<b>\$8,400,000</b>	<b>-\$11,600,000</b>

DLLR: Department of Labor, Licensing, and Regulation  
 MEA: Maryland Energy Administration  
 PV: photovoltaic

Source: Maryland Energy Administration; Department of Budget and Management; Governor’s Fiscal 2020 Budget Books

**Maryland Gas Expansion Fund**

The fiscal 2020 allowance includes \$4 million from the Maryland Gas Expansion Fund. The Budget Reconciliation and Financing Act (BRFA) of 2018 required funds available to the State as a result of the merger of AltaGas Ltd. and WGL Holdings, Inc. to be appropriated only as authorized in the State budget bill or other legislation. As a result of this requirement, these funds are first used by the agency in fiscal 2020. MEA plans to use the funding in three areas, though it has not determined the allocation of funding by area:

- grants to the Department of Labor, Licensing, and Regulation for the development of a natural gas workforce development program;
- a Contributions in Aid of Construction Dispensation Fund to defray costs typically passed on to potential utility customers in gas expansion that relate to the infrastructure from the end of the utility property to the customer’s property; and

- the Maryland Energy Infrastructure Program to provide grants to invest in assets (such as pipes) for new customers, reintegration of customers who no longer have functional access to natural gas infrastructure, or existing customers not currently using natural gas infrastructure, including costs to reach areas of the State that do not have natural gas service.

### Future Funding Challenges

As shown in **Exhibit 11**, by the close of fiscal 2020, three of the non-RGGI-sourced SEIF balances are largely eliminated (Animal Waste-to-Energy ACP, Dominion Cove Point, and Most Favored Nation provision funds), with less than \$800,000 combined remaining. These three fund sources have enabled higher spending levels in a number of renewable energy and energy efficiency programs in recent years than RGGI-sourced revenue alone could have supported. Combined spending in MEA’s fiscal 2020 allowance from these three non-RGGI sources totals \$10.9 million. As a result, it is likely spending for renewable and clean energy and general energy efficiency programs will decline significantly beginning in fiscal 2021. **MEA should comment on how it will adjust spending plans in the future given the lower availability of non-RGGI-sourced funding.**

**Exhibit 11**  
**Strategic Energy Investment Fund Balance from Non-RGGI Sources**  
**Fiscal 2018-2020 Est.**  
**(\$ in Millions)**

	<b>2018</b> <b><u>Actual</u></b>	<b>2019</b> <b><u>Est.</u></b>	<b>2020</b> <b><u>Est.</u></b>
Renewable Portfolio Standard	\$28.9	\$8.9	\$0.5
Offshore Wind Development	7.3	5.7	3.7
Cove Point	0.5	0.0	0.0
Most Favored Nation Provision Pepco/Exelon Merger	3.6	3.7	0.3
Maryland Gas Expansion Fund	0.0	30.3	26.3
<b>Total</b>	<b>\$40.4</b>	<b>\$48.7</b>	<b>\$30.8</b>

RGGI: Regional Greenhouse Gas Initiative

Note: Numbers may not match Appendix K of the Governor’s Fiscal 2020 Budget Books based on updated revenue assumptions and to align the Offshore Wind Development Fund to the level of appropriation in fiscal 2020 and a planned fiscal 2019 spending reduction.

Source: Maryland Energy Administration; Department of Budget and Management; Governor’s Fiscal 2020 Budget Books; Department of Legislative Services

## ***Issues***

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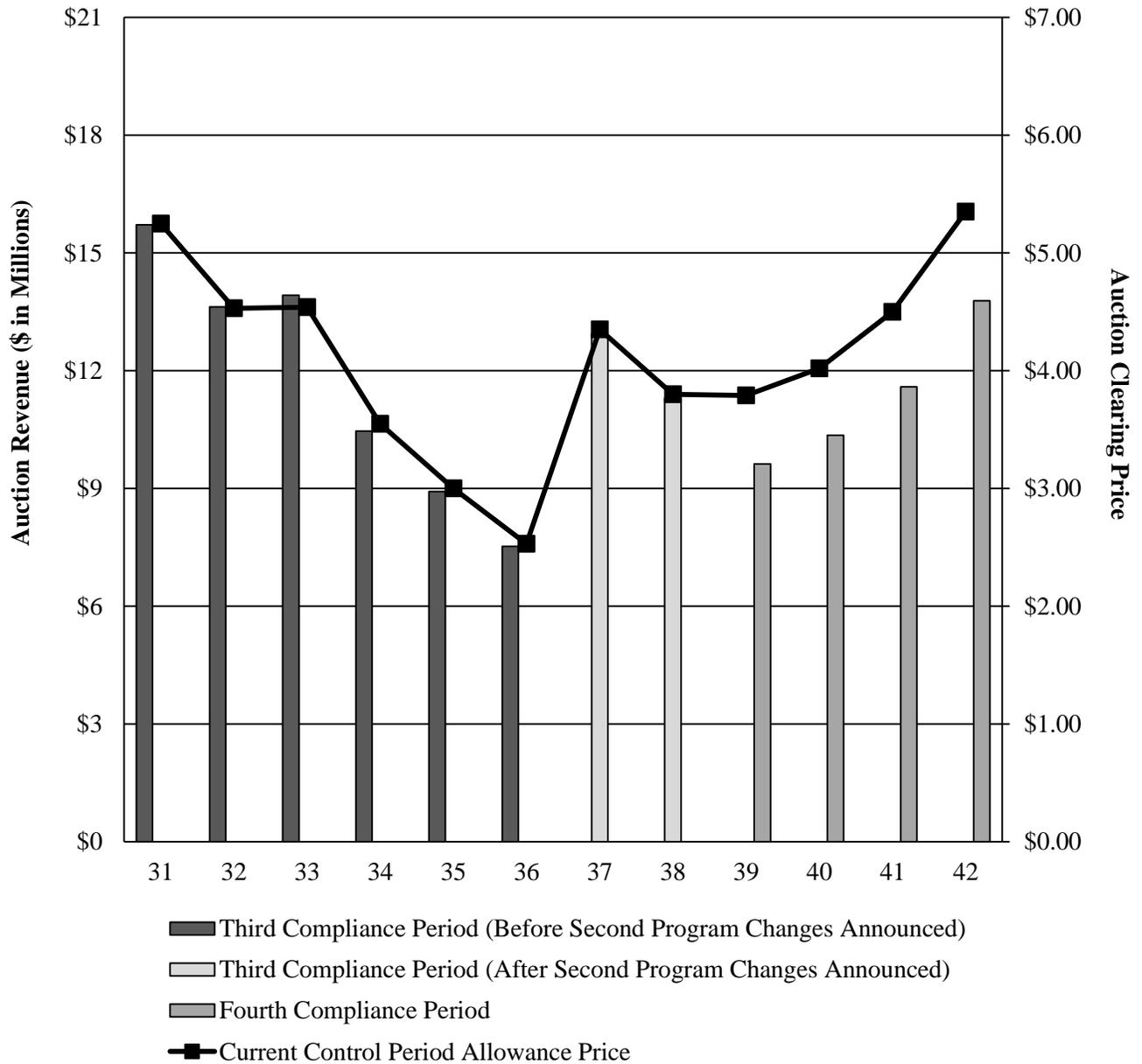
### **1. RGGI Auction Revenue Stabilizes but Spending Challenges Remain**

#### **RGGI Revenue**

RGGI auction clearing prices declined beginning in calendar 2016 through mid-2017. During this time, the auction clearing prices, which peaked at \$7.50 in December 2015, fell to a low of \$2.53 in the June 2017 auction. Though the reason for the decline was not definitively known, the potential causes included the impact of the federal Clean Power Plan not appearing to move forward and reduced demand as it became evident that the emissions were below the cap. In August 2017, RGGI Inc. preliminarily announced program changes that became final in December 2017. In addition, over the last year, two states (New Jersey and Virginia) have taken steps toward joining or rejoining RGGI. These actions appear to have stabilized the RGGI market. As shown in **Exhibit 12**, the auction prices have generally increased during calendar 2018 after fluctuating in the immediate aftermath of the program announcements. In December 2018, the auction clearing price of \$5.35 was the highest since the December 2015 peak.

Revenue generally follows the trend of the change in the allowance auction prices. However, the number of allowances offered for sale varies between some auctions also influencing revenue. The most common reason for this is that adjustments in the cap between calendar years typically decrease the number of allowances available for sale between the December auction and the March auction. This influenced revenue between auctions 38 (December 2017) and 39 (March 2018), which had similar auction clearing prices. Other changes occur if cost containment reserve allowances are released, which temporarily increases the number of allowances for sale. This last occurred in calendar 2015. Beginning in calendar 2021, a new emissions containment reserve will permanently retire a certain number of allowances if the auction clearing price falls below a certain level, potentially significantly influencing the revenue versus auction clearing price trends.

**Exhibit 12**  
**Regional Greenhouse Gas Initiative Quarterly Auction Results for Maryland**  
**Auctions 31 (March 2016) to 42 (December 2018)**



Source: Regional Greenhouse Gas Initiative, Inc.

## **RGGI Allocation**

Chapters 127 and 128 of 2008 established the SEIF primarily to receive revenue from the RGGI carbon dioxide emission allowance auctions. The chapters also established an allocation of revenue from the sale of allowances to be distributed among various categories of spending. The allocations were subsequently changed with the current allocation enacted as part of the BRFA of 2014. Other revenues held in the SEIF available from different fund sources (such as ACP from RPS and funds available from conditions in PSC orders) are not subject to the statutory allocations of revenue. Outside of ACP, the inclusion of these funds in the SEIF was not required by statute.

Beginning with the 2018 session, the State began forecasting revenue from RGGI auctions based on the assumption that the auction clearing price would be the minimum clearing price. Additional revenue earned in any auction in which the clearing price was above the minimum would be used in the following budget cycle. For example, additional revenue earned in fiscal 2019 would be budgeted in fiscal 2021. This assumption was expected to provide more certainty to the program and prevent the need for mid-year program reductions as had occurred in prior years. Because this change was newly implemented with the fiscal 2019 budget cycle, spending was budgeted at generally lower levels in that year than were expected in the future. Funds were budgeted at the minimum clearing price without the benefit of the higher than forecast revenue from a previous year. However, existing fund balance buffered some spending decreases. MEA expects to once again make a change to its forecasting method, beginning with the presentation of the fiscal 2021 budget in the 2020 session to account for the implementation of the emissions containment reserve. The new method, while not yet determined, is expected to remain conservative to ensure budget stability.

## **Statutory Comparison**

As shown in **Exhibit 13**, the fiscal 2020 allowance includes the assumption that \$21.5 million of overattainment from fiscal 2018 and fund balance will support program spending. The Clean Cars Act of 2019 (HB 151 and SB 168), an Administration bill, would increase the transfer from the SEIF to the TTF in fiscal 2020, from \$2.4 million to \$6 million. These type of transfers occur before the revenue is distributed through the allocation formula. As shown in Exhibit 13, this change would increase the amount of fund balance necessary to support the fiscal 2020 allowance by \$3.6 million. The greatest impact occurs in the Department of Human Services (DHS) energy assistance program, which receives 50% of revenue.

**Exhibit 13**  
**Fiscal 2020 Allowance Compared to Required RGGI Distribution**  
(\$ in Millions)

	<u>Revenue Available</u>	<u>Revenue Available If HB 151/SB 168 Pass</u>				
	<u>2020 Allowance</u>	<u>Revenue Distribution as Determined By Statute</u>	<u>2020 Revenue Allocation</u>	<u>Difference Between Allowance and Allocation</u>	<u>2020 Revenue with HB 151/SB 168</u>	<u>Difference Between Allowance and Revenue with HB 151/SB 168</u>
Revenue Estimate	\$23.1					
RGGI Dues	-0.6					
Maryland Energy Innovation Fund	-1.5					
Electric Vehicle Tax Credit	-2.4					
<b>Revenue Available for Distribution</b>	<b>\$18.7</b>					
<b>Proposed Use of Overattainment and Fund Balance</b>	<b>\$21.5</b>					
<b>Total</b>	<b>\$40.2</b>					
<b>Energy Assistance</b>	<b>\$19.9</b>	<b>At least 50%</b>	<b>\$9.3</b>	<b>\$10.6</b>	<b>\$7.5</b>	<b>\$12.4</b>
Department of Human Services	\$19.9					
<b>Low- and Moderate-income Energy Efficiency</b>	<b>\$3.5</b>	<b>At least 10%</b>	<b>\$1.9</b>	<b>\$1.6</b>	<b>\$1.5</b>	<b>\$2.0</b>
Maryland Energy Administration (MEA)	\$3.5					
<b>Energy Efficiency, All Other Sectors</b>	<b>\$5.8</b>	<b>At least 10%</b>	<b>\$1.9</b>	<b>\$4.0</b>	<b>\$1.5</b>	<b>\$4.3</b>
MEA	\$3.3					
Department of Health and Mental Hygiene	2.0					
Department of General Services	0.5					
<b>Renewable Energy, Climate Change, Resiliency, Energy Education</b>	<b>\$6.9</b>	<b>At least 20%</b>	<b>\$3.7</b>	<b>\$3.1</b>	<b>\$3.0</b>	<b>\$3.8</b>

	<u>2020 Allowance</u>	<u>Revenue Distribution as Determined By Statute</u>	<u>2020 Revenue Allocation</u>	<u>Difference Between Allowance and Allocation</u>	<u>2020 Revenue with HB 151/SB 168</u>	<u>Difference Between Allowance and Revenue with HB 151/SB 168</u>
MEA	\$4.0					
Maryland Department of the Environment	2.9					
<b>Administration</b>	<b>\$4.1</b>	<b>No more than \$5.0 million, up to 10%</b>	<b>\$1.9</b>	<b>\$2.2</b>	<b>\$1.5</b>	<b>\$2.6</b>
MEA	<b>\$4.1</b>					
<b>Total</b>	<b>\$40.2</b>		<b>\$18.7</b>	<b>\$21.5</b>	<b>\$15.1</b>	<b>\$25.1</b>

RGGI: Regional Greenhouse Gas Initiative

Source: Department of Legislative Services; Governor’s Fiscal 2020 Budget Books; Section 9-20B-05(g) of the State Government Article

**Fiscal 2020 Allowance Comparison**

As shown in **Exhibit 14**, overall, the fiscal 2020 allowance decreases spending in RGGI-supported programs by \$5.1 million. The largest decrease occurs in DHS for energy assistance (\$6.1 million) due to the lower availability of fund balance. RGGI-sourced spending increases for two categories of spending the Energy Efficiency, All Other Sectors category and the Renewable Energy, Climate Change, resulting from the availability of overattainment and fund balance. Both programs had fund balances exceeding \$8 million at the close of fiscal 2018. While spending increases overall in the Energy Efficiency, All Other Sectors category, spending outside of MEA slightly decreases as a result of lower payments for the energy performance contracts in the Maryland Department of Health that these funds support.

**Exhibit 14  
Comparison of RGGI-related Appropriations  
Fiscal 2018-2020**

	<b>2018 Actual</b>	<b>2019 Working</b>	<b>2020 Allowance</b>	<b>Change</b>
<b>Energy Assistance</b>	<b>\$27,000,000</b>	<b>\$26,000,000</b>	<b>\$19,942,924</b>	<b>-\$6,057,076</b>
Department of Human Services	\$27,000,000	\$26,000,000	\$19,942,924	-\$6,057,076
<b>Low- and Moderate-income Energy Efficiency</b>	<b>\$6,877,899</b>	<b>\$5,000,000</b>	<b>\$3,500,000</b>	<b>-\$1,500,000</b>
Maryland Energy Administration (MEA)	\$4,962,293	\$5,000,000	\$3,500,000	-\$1,500,000
Maryland Department of Health	1,915,606	0	0	0
<b>Energy Efficiency, All Other Sectors</b>	<b>\$5,612,615</b>	<b>\$4,657,177</b>	<b>\$5,839,087</b>	<b>\$1,181,910</b>
MEA	\$2,362,594	\$1,972,483	\$3,300,000	\$1,327,517
Maryland Department of Health	2,250,730	2,184,694	2,039,087	-145,607
Department of General Services	999,291	500,000	500,000	0
<b>Renewable Energy, Climate Change</b>	<b>\$7,826,716</b>	<b>\$5,550,000</b>	<b>\$6,865,000</b>	<b>\$1,315,000</b>
MEA	\$5,087,219	\$3,000,000	\$4,015,000	\$1,015,000
Maryland Department of the Environment	2,739,497	2,550,000	2,850,000	300,000
<b>Administration</b>	<b>\$3,489,652</b>	<b>\$4,124,610</b>	<b>\$4,079,283</b>	<b>-\$45,327</b>
MEA	\$3,489,652	\$4,124,610	\$4,079,283	-\$45,327
<b>Total</b>	<b>\$50,806,882</b>	<b>\$45,331,787</b>	<b>40,226,294</b>	<b>-\$5,105,493</b>

RGGI: Regional Greenhouse Gas Initiative

Note: The fiscal 2019 and 2020 allowance for administration does not match figures provided in the Governor’s Fiscal 2020 Budget Books due to adjustments based on the statewide employee compensation changes and availability of other special fund sources to support those activities.

Source: Governor’s Fiscal 2020 Budget Books; Maryland Energy Administration; Department of Legislative Services

## SEIF Balance Realigned to Support Certain Spending

As shown in **Exhibit 15**, at the close of fiscal 2018, the balance from RGGI-sourced subaccounts in the SEIF totaled \$57.5 million, of which 43% was for energy assistance. At that time, the Administration fund balance totaled \$16.2 million. This balance includes the interest that accrues to the fund in addition to the revenue that the program receives from RGGI. In fiscal 2019 and 2020, MEA plans to realign a total of \$11.2 million of the accrued interest to other programs:

- \$5.5 million for Low- and-Moderate Income Energy Efficiency;
- \$3.8 million for Renewable Energy, Climate Change; and
- \$1.9 million for Energy Assistance.

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**Exhibit 15**  
**Strategic Energy Investment Fund Balance**  
**Fiscal 2018-2020 Est.**  
**(\$ in Millions)**

	<b>2018</b> <b><u>Actual</u></b>	<b>2019</b> <b><u>Estimated</u></b>	<b>2020</b> <b><u>Estimated</u></b>	<b>2020 Estimated If</b> <b>HB 151/SB 168</b> <b><u>Pass</u></b>
Energy Assistance	\$24.8	\$16.0	\$7.3	\$5.5
Energy Efficiency and Conservation Programs, Low- and Moderate-income Sector	-0.4	3.4	3.0	2.6
Energy Efficiency and Conservation Programs, All Other Sectors	8.6	6.4	2.5	2.1
Renewable Energy, Clean Energy, Climate Change, Education, and Resiliency	8.3	13.4	10.3	9.6
Administration	16.2	8.8	5.1	4.8
<b>Total</b>	<b>\$57.5</b>	<b>\$48.2</b>	<b>\$28.2</b>	<b>\$24.6</b>

Note: Estimated revenue in fiscal 2019 includes auction results in September and December 2018 and projected results for the remaining two auctions in that fiscal year. Revenue is estimated for fiscal 2020 at the minimum clearing price. Numbers may not match Appendix K of the Governor’s Fiscal 2020 Budget Books based on updated revenue assumptions and to account for statewide employee compensation adjustments and other adjustments to Administration spending in fiscal 2019 and 2020.

Source: Department of Budget and Management; Maryland Energy Administration; Governor’s Fiscal 2020 Budget Books; Department of Legislative Services

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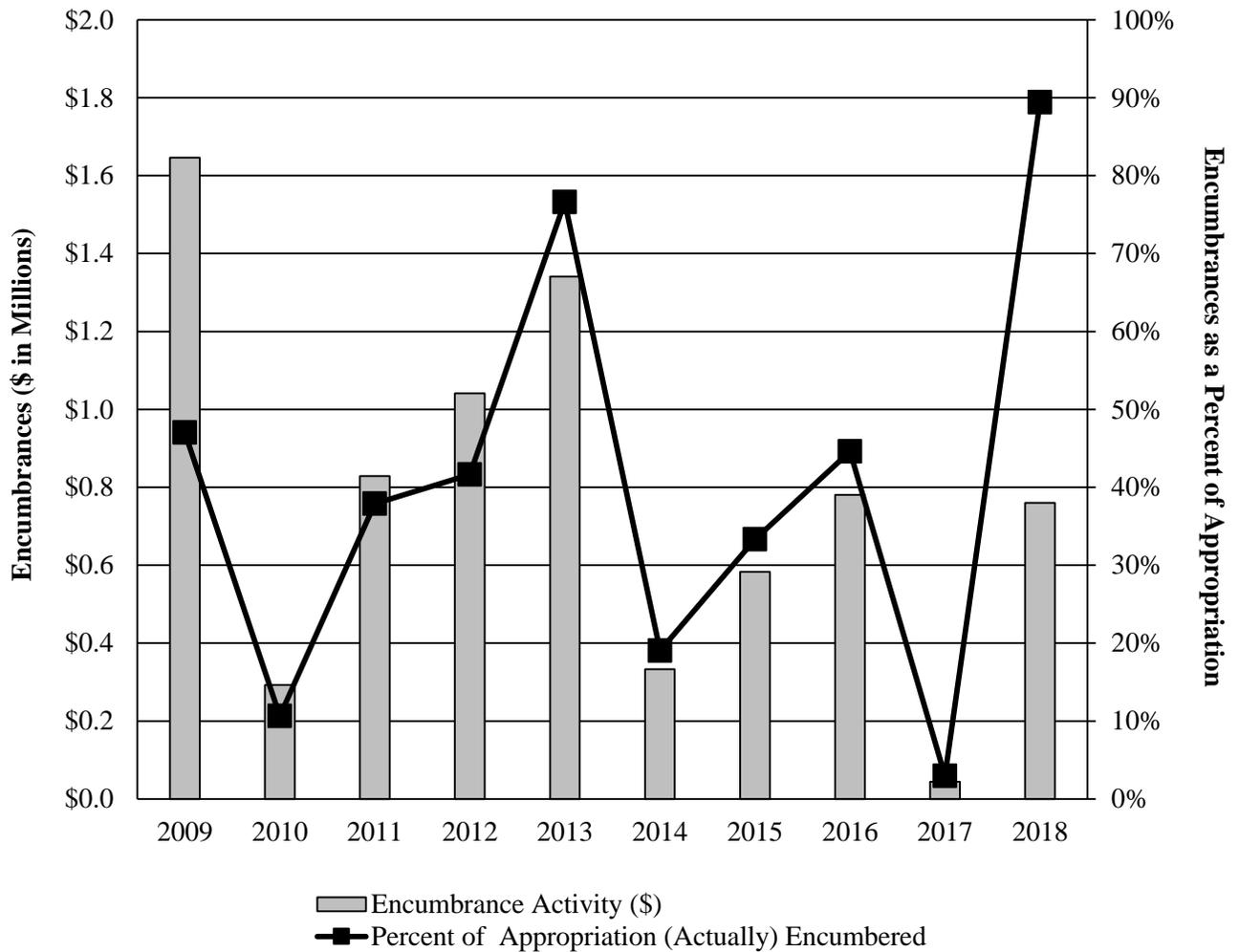
With the planned transfers of interest, the Administration’s subaccount fund balance is expected to be reduced to \$5.1 million at the close of fiscal 2020. MEA also plans to realign \$1 million of fund balance from the Energy Efficiency, All Other Sectors subaccount to the Low- and Moderate-income Energy Efficiency subaccount in fiscal 2019. As shown in Exhibit 15, the Low- and Moderate-income Energy Efficiency subaccount ended fiscal 2018 with a negative balance (accounting for funds encumbered but not yet spent). The combination of the realignment of interest and fund balance returns the program to a positive balance and allows program spending to remain at a higher level than new revenue alone could support.

Based on current spending plans and revenue overattainment in the first two auctions of fiscal 2019, MEA projects that the RGGI-sourced fund balance will total \$28.2 million at the close of fiscal 2020. The largest fund balance is expected to be in the Renewable Energy, Climate Change subaccount (\$10.3 million). If the Clean Cars Act of 2019 is enacted as proposed, the RGGI-sourced fund balance would be diminished slightly to \$24.6 million. While this legislation would reduce the fund balances, all subaccounts are expected to be able to withstand the higher level of transferred funds in fiscal 2020. However, the reduced fund balances will likely impact spending in fiscal 2021.

## **2. Legislation Proposes to Expand the JELLP by Adding State Agencies as Eligible Borrowers**

Since the program’s creation, MEA has had difficulty encumbering funds in the JELLP to the level of its appropriation. MEA encumbers funds equivalent to each loan that it commits to an organization, business, or government entity. Therefore, a lack of encumbrances indicates that the agency is having difficulty in providing loans. As shown in **Exhibit 16**, MEA has only been able to encumber more than 50% of its appropriation in two years (fiscal 2013 and 2018) after accounting for cancellations. The difficulty relates, in part, to nonprofit, business, and local government preference for grants rather than loans. While successful in fiscal 2018 in encumbering funds at nearly 90% of the appropriation, the appropriation was also the lowest level in program history (\$850,000). In three years, the program has encumbered less than 20% of its appropriation. To date, MEA indicates that it has not received any fiscal 2019 loan applications. However, several applications are expected in the near future.

**Exhibit 16  
Jane E. Lawton Conservation Loan Program Encumbrances  
Fiscal 2009-2018**



Source: Maryland Energy Administration; Department of Legislative Services; Governor’s Fiscal 2009-2018 Budget Books

In contrast, the SALP has generally been relatively successful in encumbering funds. Since fiscal 2009, at least 50% of the funds in the SALP have been encumbered annually. Fiscal 2018 was the least successful year of the program with only 50% of the appropriation encumbered. However, MEA expects to issue loans near or at the level of the fiscal 2019 appropriation.

Prior to the 2017 session, the JELLP had generally maintained a high fund balance, largely due to the failure to encumber funds at the level of appropriation. However, the SALP fund balance was projected to be relatively low, less than \$500,000 at the close of fiscal 2017. The BRFA of 2017

transferred \$3 million of the JELLP fund balance to the SALP to increase the fund balance and ensure that the program could continue to issue new loans. Committee narrative in the *2017 Joint Chairmen’s Report* (JCR) requested that MEA, in conjunction with the Department of Budget and Management, review the potential for merging the programs and report on legislation that would be required and any changes that would be necessary to complete such a merger. This type of merger was expected to improve the efficiency of the available funds by creating an overall higher fund balance that could sustain higher demand in the programs than could be achieved separately.

## **Legislative Changes**

Of the two programs, only the JELLP is established in statute. As a result, in the response to the committee narrative to combine the programs, MEA explained that the JELLP statute would need to be amended to expand eligible borrowers to include State agencies. MEA also noted that any legislation would need to clarify who within the agency would have the authority to approve the application and address some technical differences in the operations of the program. Legislation in the 2018 session (SB 26), a departmental bill, would have effectuated most of these changes. However, it did not pass both chambers. MEA has again introduced legislation in the 2019 session (HB 170) to undertake this type of change.

Among other changes, HB 170 proposes to make necessary statutory changes to effectively merge the programs, including to:

- add State agencies as eligible borrowers of the JELLP;
- add a clarification that the head of the agency must sign an application for a State agency project; and
- create an exception for State agency projects for some requirements of the JELLP, such as:
  - documenting that anticipated energy cost savings exceed the total cost to the borrower;
  - repaying the loan with interest and repaying the loan from energy cost savings; and
  - providing assurances, guarantees, or collateral for the loan.

The legislation would also add reducing greenhouse gas emissions as a purpose of the program. Finally, the legislation removes a prohibition in the definition of project for improvements at structures used primarily for religious or fraternal activities to comply with a Supreme Court decision.

## **Nonstatutory Changes**

In the response to the 2017 JCR, MEA also noted a few nonstatutory changes that would be necessary for the functioning of the new JELLP. Current regulations reserve a portion of the JELLP budget for nonprofit organizations (20%). MEA indicated that it would alter that percent requirement

to a flat dollar amount equivalent to the current reserve. In addition, MEA expected to develop a method for ensuring that private entities have a chance to apply for funding before it is used entirely by State agencies. This could be accomplished through a similar type of reserve that already exists for nonprofits. MEA notes that private entities are subject to the additional underwriting criteria that results in a longer underwriting process compared to State agencies. **MEA should comment on if it still expects to reserve a portion of the appropriation annually for private businesses and nonprofits.**

## **Funding**

The fiscal 2020 allowance continues to fund both programs separately. Both programs are level funded compared to fiscal 2019 (\$850,000 for the JELLP and \$1.2 million for the SALP). The SALP funds would be expected to be transferred by budget amendment to the JELLP fund if HB 170 passes. If the special fund balances of the programs were to be combined following a legislative change, the estimated opening fiscal 2020 fund balance would be \$6.8 million.

As noted earlier, MEA provided additional capitalization to the SALP with funds from the ARRA. Due to the requirements that are attached to these funds, MEA must account for these funds separately. This separate tracking would continue even if the current loan funds were to be merged. As noted earlier, MEA is beginning a process of removing these funds from the SALP for use on other State agency energy activities.

## ***Operating Budget Recommended Actions***

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1. Adopt the following narrative:

**Strategic Energy Investment Fund Revenue, Spending, and Fund Balance:** The committees are interested in ensuring transparency in Regional Greenhouse Gas Initiative (RGGI) revenue assumptions and spending included in the budget as well as Strategic Energy Investment Fund (SEIF) Balance by category. The committees request that the Department of Budget and Management (DBM) provide an annual report on the revenue from the RGGI carbon dioxide emission allowance auctions and set-aside allowances in conjunction with the submission of the fiscal 2021 budget as an appendix to the Governor’s budget books. The report shall include information on the actual fiscal 2019 budget, fiscal 2020 working appropriation, and fiscal 2021 allowance. The report shall detail:

- revenue assumptions used to calculate the available SEIF from RGGI auctions for each fiscal year, including the number of auctions, the number of allowances sold, the allowance price in each auction, and the anticipated revenue from set-aside allowances;
- amount of the SEIF from RGGI auction revenue available to each agency that receives funding through each required statutory allocation, dues owed to RGGI, Inc., and transfers or diversions of revenue made to other funds; and
- fund balance for each SEIF subaccount for the fiscal 2019 actual, fiscal 2020 working appropriation, and fiscal 2021 allowance.

<b>Information Request</b>	<b>Author</b>	<b>Due Date</b>
Report on revenue assumptions and use of RGGI auction revenue	DBM	With the submission of the Governor’s Fiscal 2021 Budget Books

**Appendix 1**  
**Current and Prior Year Budgets**  
**Maryland Energy Administration**  
**(\$ in Thousands)**

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
<b>Fiscal 2018</b>					
Legislative Appropriation	\$0	\$56,822	\$738	\$132	\$57,692
Deficiency/Withdrawn Appropriation	0	1,378	-4	0	1,374
Cost Containment	0	0	0	0	0
Budget Amendments	0	0	0	0	0
Reversions and Cancellations	0	-20,622	-3	0	-20,625
<b>Actual Expenditures</b>	<b>\$0</b>	<b>\$37,578</b>	<b>\$732</b>	<b>\$132</b>	<b>\$38,442</b>
<b>Fiscal 2019</b>					
Legislative Appropriation	\$0	\$43,081	\$759	\$147	\$43,986
Budget Amendments	0	23	5	0	27
<b>Working Appropriation</b>	<b>\$0</b>	<b>\$43,103</b>	<b>\$763</b>	<b>\$147</b>	<b>\$44,013</b>

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. Numbers may not sum to total due to rounding.

## **Fiscal 2018**

The fiscal 2018 expenditures of the Maryland Energy Administration (MEA) were \$19.3 million (\$19.2 million in special funds and \$6,272 in federal funds) lower than the legislative appropriation. A deficiency appropriation of \$1.5 million in special funds in the Energy Efficiency and Conservation Programs, All Other Sectors increased expenditures. These funds were derived from the reallocation of funds available from a condition of the Certificate of Public Convenience and Necessity for an electric generating facility at the Dominion Cove Point facility and a condition of approval (known as the Most Favored Nation provision) of the merger between Exelon Corporation and Pepco Holdings, Inc.

This increase was more than offset by decreases occurring by a negative deficiency and withdrawn appropriations and cancellations. A deficiency appropriation withdrew \$103,338 of the General Administration special fund appropriation due to a decrease in planned contractual full-time equivalents and equipment purchases. A decrease of \$22,263 (\$18,491 in special funds and \$3,722 in federal funds) was the result of a withdrawn appropriation in Section 19 of the fiscal 2019 Budget Bill due to a surplus in the health insurance account.

MEA also canceled \$20.6 million (\$20.6 million in special funds and \$2,500 in federal funds). A portion of these cancellations (\$10 million) resulted from lower than anticipated revenue in the Regional Greenhouse Gas Initiative carbon dioxide emission allowance auctions that led MEA to reduce planned expenditures in the renewable and clean energy programs (\$8 million) and low- and moderate-income energy efficiency programs (\$2 million). MEA also canceled funds due to startup delays for the Community Solar and Solar Resiliency Hubs programs (\$4.4 million) and the Most Favored Nation provision funds for combined heat and power projects in the Potomac Electric Power Company and Delmarva Power and Light service territories (\$2.3 million). Other significant cancellations were due to:

- a reallocation of funds originally budgeted for a grid resiliency program;
- lower than expected spending on renewable and clean energy programs, primarily alternative fuel funding programs (freedom fleet voucher, alternative fueling infrastructure, and electric vehicle recharging equipment rebate program) and renewable energy grant programs (community wind development, commercial renewable energy, and solar photovoltaic in parking lots);
- postponement of the Maryland Offshore Wind Energy Research Challenge Grants and Offshore Wind Accelerator program due to federal offshore wind consortium activities;
- lower than expected expenditures for commercial and industrial energy efficiency programs;
- lower than expected expenditures for the evaluation, measurement, and verification contract;

*D13A13 – Maryland Energy Administration*

- lack of projects requiring the use of Energy Overcharge Restitution Funds; and
- lower than expected administrative expenses, primarily in the area of personnel.

**Fiscal 2019**

The fiscal 2019 appropriation of MEA has increased by \$27,294 (\$22,723 in special funds and \$4,571 in federal funds) compared to the legislative appropriation due to the distribution of the cost-of-living adjustment that was centrally budgeted.

**Appendix 2  
Object/Fund Difference Report  
Maryland Energy Administration**

<u>Object/Fund</u>	<u>FY 18 Actual</u>	<u>FY 19 Working Appropriation</u>	<u>FY 20 Allowance</u>	<u>FY 19 - FY 20 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	28.00	28.00	28.00	0.00	0%
02 Contractual	9.50	9.50	10.00	0.50	5.3%
<b>Total Positions</b>	<b>37.50</b>	<b>37.50</b>	<b>38.00</b>	<b>0.50</b>	<b>1.3%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 3,208,228	\$ 3,151,365	\$ 3,248,899	\$ 97,534	3.1%
02 Technical and Special Fees	421,026	572,473	548,453	- 24,020	- 4.2%
03 Communication	35,195	55,829	44,538	- 11,291	- 20.2%
04 Travel	116,184	252,000	206,016	- 45,984	- 18.2%
07 Motor Vehicles	2,353	1,030	1,630	600	58.3%
08 Contractual Services	2,447,669	3,671,481	2,491,658	- 1,179,823	- 32.1%
09 Supplies and Materials	38,092	15,700	22,500	6,800	43.3%
10 Equipment – Replacement	252	15,569	18,336	2,767	17.8%
11 Equipment – Additional	9,912	14,014	10,128	- 3,886	- 27.7%
12 Grants, Subsidies, and Contributions	29,568,536	33,985,000	32,584,396	- 1,400,604	- 4.1%
13 Fixed Charges	44,096	228,870	298,946	70,076	30.6%
14 Land and Structures	2,550,000	2,050,000	2,050,000	0	0%
<b>Total Objects</b>	<b>\$ 38,441,543</b>	<b>\$ 44,013,331</b>	<b>\$ 41,525,500</b>	<b>- \$ 2,487,831</b>	<b>- 5.7%</b>
<b>Funds</b>					
03 Special Fund	\$ 37,578,230	\$ 43,103,291	\$ 37,072,161	- \$ 6,031,130	- 14.0%
05 Federal Fund	731,636	763,218	4,306,360	3,543,142	464.2%
09 Reimbursable Fund	131,677	146,822	146,979	157	0.1%
<b>Total Funds</b>	<b>\$ 38,441,543</b>	<b>\$ 44,013,331</b>	<b>\$ 41,525,500</b>	<b>- \$ 2,487,831</b>	<b>- 5.7%</b>

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.

**Appendix 3  
Fiscal Summary  
Maryland Energy Administration**

<u>Program/Unit</u>	<u>FY 18 Actual</u>	<u>FY 19 Wrk Approp</u>	<u>FY 20 Allowance</u>	<u>Change</u>	<u>FY 19 - FY 20 % Change</u>
01 General Administration	\$ 4,509,741	\$ 5,463,331	\$ 5,561,104	\$ 97,773	1.8%
02 The Jane E. Lawton Conservation Loan Program – Capital Appropriation	850,000	850,000	850,000	0	0%
03 State Agency Loan Program – Capital Appropriation	1,700,000	1,200,000	1,200,000	0	0%
06 Energy Efficiency and Conservation Programs, Low- and Moderate-Income Residential Sector	4,962,292	5,000,000	3,500,000	- 1,500,000	- 30.0%
07 Energy Efficiency and Conservation Programs, All Other Sectors	6,642,291	7,000,000	10,214,396	3,214,396	45.9%
08 Renewable and Clean Energy Programs and Initiatives	19,777,219	24,500,000	20,200,000	- 4,300,000	- 17.6%
<b>Total Expenditures</b>	<b>\$ 38,441,543</b>	<b>\$ 44,013,331</b>	<b>\$ 41,525,500</b>	<b>- \$ 2,487,831</b>	<b>- 5.7%</b>
Special Fund	\$ 37,578,230	\$ 43,103,291	\$ 37,072,161	- \$ 6,031,130	- 14.0%
Federal Fund	731,636	763,218	4,306,360	3,543,142	464.2%
<b>Total Appropriations</b>	<b>\$ 38,309,866</b>	<b>\$ 43,866,509</b>	<b>\$ 41,378,521</b>	<b>- \$ 2,487,988</b>	<b>- 5.7%</b>
Reimbursable Fund	\$ 131,677	\$ 146,822	\$ 146,979	\$ 157	0.1%
<b>Total Funds</b>	<b>\$ 38,441,543</b>	<b>\$ 44,013,331</b>	<b>\$ 41,525,500</b>	<b>- \$ 2,487,831</b>	<b>- 5.7%</b>

Note: The fiscal 2019 appropriation does not include deficiencies, a one-time \$500 bonus, or general salary increases. The fiscal 2020 allowance does not include general salary increases.